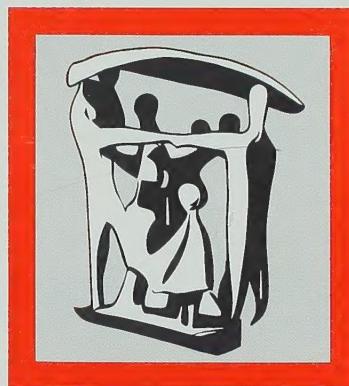


AR01

167th
ANNUAL
REPORT
1975



THE HALIFAX INSURANCE COMPANY

DIRECTORS' REPORT 1975

Your Directors present the 167th Annual Report together with the financial statements showing the results of the Company's operations for the year ended December 31st, 1975.

Following a year of underwriting experience which was the worst in the history of the general insurance industry in Canada it appears that the year 1975 brought considerable improvement in results. When the final industry statistics for 1975 are published it is likely that they will demonstrate that the overall underwriting loss was reduced to about one half of that of 1974. Your Company also experienced a substantially improved underwriting result in 1975.

Throughout the year, in concert with the majority of general insurance companies in Canada, The Halifax concentrated on a campaign to obtain a greater degree of insurance to value on property risks and to implement adequate rating structures in all classes. A considerable measure of success was realized but much still remains to be accomplished in these two very important aspects of our business. The campaign will continue and must be even more successful in the future if the adverse effects of inflation and the increasing cost of repairs and replacements are to be offset.

The general insurance industry is especially affected by inflation. In pricing its products — that is, in setting its premium rates — it must attempt to provide for increases in the costs of repairs and replacements resulting from losses occurring at some time in the future. This task has proven to be impossible over an extended policy period and for this reason your Company now writes no policies for more than one year's coverage. At the time of writing it is not known what effect the activities of the Federal Government's Anti Inflation Board will have on the pricing of insurance coverages but it is to be hoped that realistic rates will be permitted in the interest of ensuring a stable and continuing market in Canada. The industry has made strong representations to the Anti Inflation Board in this respect through the Insurance Bureau of Canada.

The Company's net premiums written increased by 23% to \$22,527,257, the overall loss ratio improved to 68.81% from 73.94% in 1974, the expense ratio to 33.56% from 36.12% and the combined operating ratio to 102.37% from 110.06%.

The Halifax' underwriting loss for 1975 amounted to \$657,081 compared with losses of \$1,890,169 during 1974 and \$1,157,007 during 1973. Investment income increased by

27.4% during the year and the overall operating result was a net profit of \$787,135 compared with net losses of \$756,767 and \$146,407 in the previous two years. In addition to this net operating profit an amount of \$1,930,901 was added to surplus in gains from disposal of securities resulting mainly from a reduction of the common stock portfolio by approximately \$4,000,000.

Most Branches showed improvement in most classes of business. However, the main improvements in underwriting results stemmed from the Maritimes Branch and from the Ontario operations — both areas showing overall underwriting profits. The Maritimes result was particularly gratifying as that area had experienced a large underwriting loss in the previous year.

In April 1975 an Industrial Risk Division was created in order to enable The Halifax to offer additional underwriting capacity in this important field. This Division is growing steadily.

The "Buildex" policy form (providing continually updated insurance to value through automatic monthly indexing to construction costs) increased in acceptance and popularity and is now the only policy form which your Company will offer an eligible residential risk in most parts of the country. The Halifax was the leader in introducing effectively indexed personal property protection to Canadian residents and what was an experimental effort less than two years ago is now an established part of our operations.

The Directors take this opportunity to express their very warm thanks to all staff members for the effective measures taken by them during this difficult year to reverse the trend of underwriting losses. With a continuation of such efforts we can look forward to further improvement.

On behalf of the Board,

A.G.S. Griffin, Chairman of the Board,
W.L. Williams, President and Chief Executive Officer.

Toronto, Ontario,
February 26, 1976.

BOARD OF DIRECTORS — 1976

A.G.S. GRIFFIN, Chairman of the Board — Toronto

R.K. MARTIN, Vice-Chairman of the Board — Toronto — President, Martin, Lucas and Company Limited

E.S. ALLIN, M.D., F.R.C.S. (Eng.) — Edmonton — Surgeon-in-Chief, The Allin Clinic
A. GORDON ARCHIBALD — Halifax — Chairman of the Board, Maritime Telegraph and Telephone Company Limited

J. DUINKER — Toronto — President, The Netherlands Overseas Corporation Canada Limited

O. HATTINK — The Hague, The Netherlands — Member of the Executive Board, Nationale-Nederlanden N.V.

JAMES E. MACNELLY — Toronto

LUCAS J. RALLI — London, England — Chairman of the Board, The Orion Insurance Company Limited

J.E. RICHARDSON — Vancouver — Chairman of the Board, British Columbia Telephone Company

MAJ. GEN. N.E. RODGER, C.B.E., C.D., — Winnipeg

HON. M. SAUVÉ, P.C. — Montreal — Vice-President Administration, Consolidated-Bathurst Limited

W.L. WILLIAMS — Toronto — President and Chief Executive Officer

J.D. WOODS — Toronto — Chairman of the Board, Harvey Woods Limited

D.K. YORATH, M.B.E. — Edmonton — Vice-Chairman of the Board, IU International Corporation



A.G.S. GRIFFIN

OFFICERS AND EXECUTIVE STAFF — 1976

W.L. WILLIAMS — President and Chief Executive Officer

J.H.F. KAY, F.I.I.C. — Senior Vice-President

R. GRIFFITH — Vice-President EDP and Administrative Services

J.N. McCARTHY, F.I.I.C. — Vice-President Underwriting

J.B. MOONIE, A.I.I.C. — Vice-President Ontario Operations

D.G. SMITH — Vice-President Marketing and East and West Operations

V.D. HARRIS — Secretary and Comptroller

J.M. BUCHAN — Investment Manager

D.G. BURNS — Surety Superintendent

W.R. DAVIS, A.I.I.C. — Manager Industrial Risk Division

K.S. EXON, F.I.I.C. — Marketing Manager

R.C. LEE, F.I.I.C., A.C.I.S. — Chief Accountant

N.R. MACKENZIE, A.I.I.C. — Inland Marine and Casualty Superintendent

C.R. MARTIN — Superintendent EDP/Systems

D.A. SMITH — Manager Administrative Services

B.H. STYLES, A.I.I.C. — Manager Policy Benefits

A.R. THOMSON, F.I.I.C. — Automobile Manager

M.C. WHITAKER, F.I.I.C. — Property Manager



W.L. WILLIAMS

BALANCE SHEET as at December 31, 1975

ASSETS

Cash	
Marketable securities (note 1)	
Accrued interest	
Owing by agents and policyholders	
Mortgage loans on real estate	
Real estate, at cost less accumulated depreciation	
Automobiles and office equipment, at cost less accumulated depreciation	
Sundry assets	

Notes:

1. Marketable securities are carried at cost. The reserves are more than sufficient to reduce these values to less than the Government authorized values of \$23,968,214.
2. For the purpose of meeting the statutory requirement with respect to reinsurance, the reinsurer has deposited, to the order of the company, securities having a value of approximately \$2,686,000. The excess of the value of this deposit over the requirement is approximately \$440,000. These securities are not included in the balance sheet.
3. In February, 1974 a three-year option to purchase the company's real estate, at market value (which is currently in excess of book value) at the time of purchase, was granted to Canadian Interravest Company Ltd., an affiliated company.

LIABILITIES

Unearned premiums	
Provision for unpaid claims	
Drafts payable	
Owing to other insurance companies	
Premium taxes payable	
Provision for pensions	
Provision for assets not admitted	
Sundry liabilities	

Capital, reserves and surplus:

Capital —	
Authorized, issued and fully paid:	
200,000 shares of \$10 par value each	
General reserve	
Special reserve	
Surplus	

On behalf of the Board: A.G.S. GRIFFIN, Chairman of the Board
W.L. WILLIAMS, President and Chief Executive Officer.

AUDITORS' REPORT TO THE DIRECTORS, SHAREHOLDERS AND POLICYHOLDERS

We have examined the balance sheet of The Halifax Insurance Company as at December 31, 1975 and the statements of profit and loss and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations for the year then ended, in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada applied on a basis consistent with that of the preceding year.

Toronto, Canada, February 19, 1976.

CLARKSON, GORDON & CO., Chartered Accountants

	1975	1974
\$ 1,283,037	\$ 968,393	
24,157,245	20,406,618	
291,661	181,713	
4,636,524	3,879,144	
1,353,176	509,268	
567,912	603,675	
156,167	155,300	
115,165	13,444	

	<u>\$32,560,887</u>	<u>\$26,717,555</u>
--	---------------------	---------------------

	\$ 9,167,211	\$ 8,289,170
10,522,301	9,262,725	
1,234,535	983,104	
593,557	8,198	
242,062	170,692	
64,118	66,618	
366,931	224,472	
302,649	220,631	
22,493,364	19,225,610	

	2,000,000	2,000,000
400,000	400,000	
590,170	590,170	
7,077,353	4,501,775	
10,067,523	7,491,945	

	<u>\$32,560,887</u>	<u>\$26,717,555</u>
--	---------------------	---------------------

STATEMENT OF PROFIT AND LOSS for the year ended December 31, 1975

Underwriting:		1975	1974
Net premiums earned		\$21,649,216	\$17,786,379
Deduct:			
Net claims incurred		14,744,855	13,049,121
Net commissions		3,694,765	3,225,630
Expenses		3,329,650	2,964,220
Taxes other than income taxes		537,027	437,577
		<u>22,306,297</u>	<u>19,676,548</u>

Underwriting loss		657,081	1,890,169
-------------------	--	---------	-----------

Investments:		1,651,747	1,357,440
Interest, dividends and rents			
Deduct —			
Real estate expenses:			
Depreciation		35,763	35,763
Other		119,268	136,875
Investment expenses		52,500	51,400
		<u>207,531</u>	<u>224,038</u>

Investment income		1,444,216	1,133,402
Net profit (loss) for year transferred to surplus		<u>\$ 787,135</u>	<u>(\$ 756,767)</u>

STATEMENT OF SURPLUS for the year ended December 31, 1975

Balance at beginning of year		\$ 4,501,775	\$ 4,778,924
Add:			
Net profit (loss) for year		787,135	(756,767)
Net profit on disposal of securities		1,930,901	158,246
Decrease (increase) in provision for assets not admitted and unregistered reinsurance.		(142,458)	321,372
		<u>\$ 7,077,353</u>	<u>\$ 4,501,775</u>

Balance at end of year		\$ 7,077,353	\$ 4,501,775
------------------------	--	--------------	--------------



Merchants' Policy

Introduced three years ago, this policy is designed to meet the needs of the small to medium sized retail store. The policy provides a package of basic coverages with additional coverage options. The concept is similar to that of a Homeowners policy and one that has just recently been introduced by insurers in the U.S.

The uniqueness of this policy has in part accounted for its limited growth and current plans to familiarize agents with its time and money saving features are expected to overcome this situation. Promotional plans had been delayed pending finalization of rate adjustments and coverage options.

Whether it is an individual shop on traditional Main Street or one of a chain in a large shopping mall our records show this policy serves all needs. The policy layout and single package premium make its presentation easy and fast — important considerations from both a buying and selling standpoint.

The premium volume has been growing steadily with a satisfactory loss ratio and we are confident it will become an important part of our commercial lines portfolio in the future.

elan P.A.I.D. (People Appreciate Instant Drafts)

After an experimental period this program proved so successful it has been introduced to our agents across the country.

The ability to settle small losses on the spot has been praised by many agents and has produced significant expense savings.

During this past year the ideal opportunity to demonstrate the effectiveness of this program arose through our national mail strike. The policyholders of those agents using P.A.I.D. did not have to wait until the strike was over or some alternate service was found. They received settlement of their losses on the spot, proof of the complete insurance service provided by their independent agent.

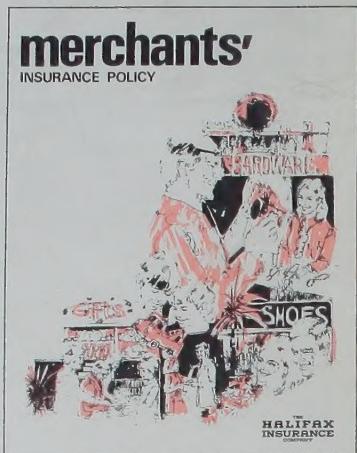
The increased use of this program has not only reduced costs, it has contributed to our image as innovators and to that of our agents as professionals.

elan Agents' Advisory Council

Nine advisory council meetings were held across the country last year and each produced a valuable exchange of information.

Most of our innovative ideas and products have been researched by and presented to our councils. In this way a great deal of time and effort has been saved in developing useful programs.

For the first time, there was a change in council membership this past year and we owe a vote of thanks to those who gave so freely of their time and advice. At the same time, we welcome the new members and look forward to receiving their views and comments in future meetings.



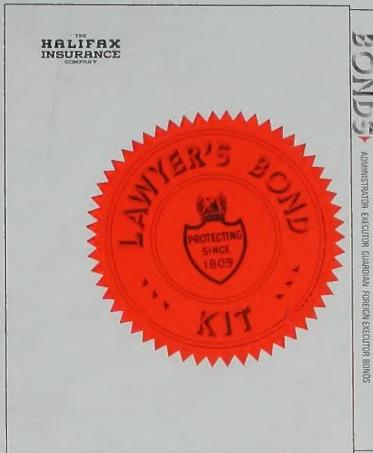
elan Bonds

Our Bonding Department continues to serve the needs of our agents for Fidelity insurance, construction Contract Bonds and a variety of Miscellaneous Surety Guarantees.

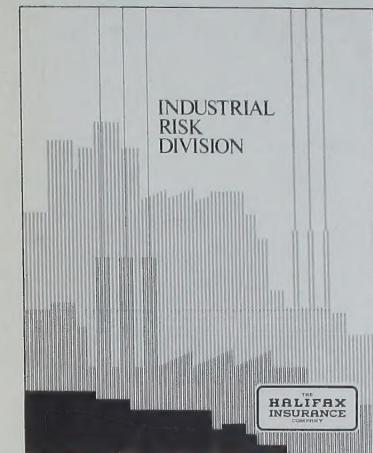
We have developed our portfolio primarily with construction bonds for small to medium sized contractors. This year we experienced a decrease in this portfolio as the result of our determined efforts to maintain a strong underwriting position. We look forward to growth in this area in 1976.

In an effort to assist the development of Miscellaneous Bonds we released, through our agents, a "Lawyer's Bond Kit". This kit contains all the necessary forms and instructions for a lawyer to obtain an "Administration", "Executor's" or "Guardian's" Bond quickly. The premium volume is not expected to develop quickly, but traditionally this is a profitable class of business and often leads to the development of other business for both the agent and ourselves.

A conservative underwriting approach has been taken and will be maintained in the interests of preserving a profitable loss ratio.



INDUSTRIAL RISK DIVISION



In April, 1975 we announced the formation of our Industrial Risk Division, as part of our long term plan for diversification and premium growth in property insurance.

Our property portfolio has traditionally consisted primarily of personal lines, mercantile and light manufacturing risks. With the introduction of this new division we are now able to participate in complex industrial risks.

Inflation, combined with Canada's industrial development has placed a strain on the insurance industry to respond to the capacity requirements of many manufacturing and resource industries. It is our intention to serve at least a part of this need in a strong responsible manner.

During these first few months of operation we have established good relationships with major agents and brokers across the country. We look forward to increasing our share of this important market in the months ahead.

elan Electronic Data Processing



Over the years our E.D.P. Department has contributed a great deal to the efficiency of the Company's operations. This has been done by applying two basic guidelines, improve service and reduce expenses. The results have impact on everything from statistical data to the computerization of policies, endorsements and direct bill invoices.

A number of years ago we started with the computerization of our automobile portfolio and at the present time over 75% of our business in this class is processed in this manner. Personal lines other than automobile presented a greater challenge but we were equal to the task. During the past year the program was expanded beyond Ontario Operations to our branches in B.C. and Alberta.

With the latest step we have gone to an "on line" system with respect to the Ontario automobile and personal lines operations. This means that a "scope" operator may dial and receive an instant visual policy record. Changes can be made to that record instantly and a document produced if indeed one is necessary. It is no longer necessary to find our office file and have someone draft up an endorsement, then type it and return the record to file.

All this adds up to better service to our agents in terms of time, accuracy and work-flow, at reduced costs, important considerations for the independent agent as well as ourselves.

elan Buildex

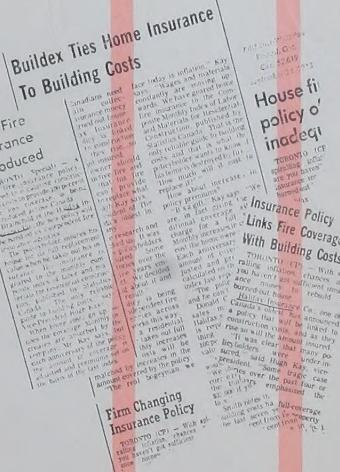
As a pioneer for insurance to value in our industry it is satisfying to The Halifax to see the beneficial results emerging. It is in the best interests of everyone concerned that the problem of under-insurance be rectified and we are making substantial gains in this direction at the present time.

It has been a slow process but last Fall we achieved a goal of having one-third of all personal lines policies on Buildex. This is a significant achievement and Buildex is continuing to grow as most eligible new business is written in this manner.

We have received many letters from agents across the country telling us how the various components of the Buildex program have enabled their clients to insure to value. The program provides a method of determining a recommended amount of insurance, a clause that maintains coverage according to the construction index and a self-write policy that permits the entire transaction to be completed on the spot.

The value of Buildex to the policyholder was vividly demonstrated when a home in the Windsor, Ontario area was totally destroyed by fire. To be eligible for Buildex the amount of insurance had been increased in the first place and approximately nine months later, when the fire occurred, inflation had increased the amount of insurance by more than 6%. This resulted in the policyholder receiving an amount substantially in excess of his policy limit.

Buildex, an exclusive Halifax feature gives up-to-date protection for policyholders and provides agents and the Company with an improved balance between income and expenses.



Company Offices

HEAD OFFICE

5670 Spring Garden Road, Halifax, N.S. B3J 3H6

GENERAL OFFICE

1303 Yonge Street, Toronto, Ontario M4T 1W9

BRANCH OFFICES

Ontario

G.J. Stubbins, Agency Manager

Metropolitan Toronto and Ontario Branches

1303 Yonge Street, Toronto, Ontario M4T 1W9

Ottawa Branch

251 Bank Street, Ottawa, Ontario K2P 1X3

M.S. Hagarty, Agency Superintendent

London Service Office

560 Wellington Street, London, Ontario N6A 3R4

Maritimes

Maritime Branch

5670 Spring Garden Road, Halifax, N.S. B3J 3H6

L.F. Webster, F.I.I.C. Manager

Quebec

Quebec Branch

491 de Vitre Street West, Montreal, Quebec H2Z 1G7

G.C. Lepine, Manager

Alberta

Alberta Branch

10506 Jasper Avenue, Suite 716, Edmonton, Alberta T5J 2W9

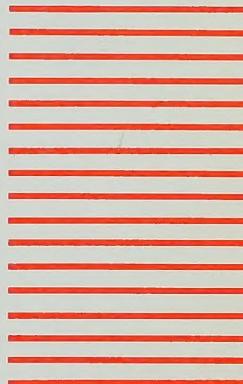
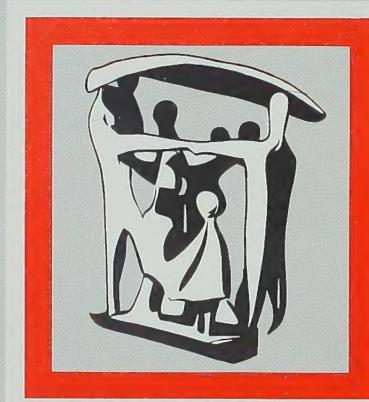
S.C. Rambaut, Manager

British Columbia

British Columbia Branch

1896 West Broadway, Vancouver, B.C. V6J 1Z1

B.P. Delaney, Manager



THE HALIFAX INSURANCE COMPANY